HOUSE BILL No. 1604

DIGEST OF INTRODUCED BILL

Citations Affected: IC 20-12-78.

Synopsis: University selection of preferred lenders. Prohibits the lenders of private student loans from making gifts to state educational institutions. Prohibits the employees of state educational institutions and foundations established for the benefit of state educational institutions from accepting from a lender gifts having a total value of more than \$100 in a calendar year. Requires the attorney general to enforce the prohibitions. Establishes the conditions under which a state educational institution may designate a lender of private student loans as a preferred lender. Imposes civil penalties upon lenders that make prohibited gifts. Requires a state educational institution that violates the new provisions to forfeit an amount equal to 1% of the tuition charged to students in the preceding academic year. Requires penalties and forfeitures to be paid to the state student assistance commission for scholarships. Makes an appropriation.

Effective: July 1, 2007.

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January 23, 2007, read first time and referred to Committee on Education.





First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in this style type, and deletions will appear in this style type.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or *this style type* reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

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HOUSE BILL No. 1604

A BILL FOR AN ACT to amend the Indiana Code concerning education finance and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

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l	SECTION 1. IC 20-12-78 IS ADDED TO THE INDIANA CODE
2	AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3	JULY 1, 2007]:

Chapter 78. Prohibited Actions Concerning Lenders of Private Student Loans

- Sec. 1. As used in this chapter, "private student loan" refers to a loan that:
 - (1) is issued by a private lender; and
 - (2) is not guaranteed under the guaranteed student loan program (IC 20-12-21.1) or the federal family education loan program (20 U.S.C. 1071 et seq.).
- Sec. 2. As used in this chapter, "state educational institution" has the meaning set forth in IC 20-12-0.5-1.
 - Sec. 3. For purposes of this chapter, two (2) or more lenders who are related or affiliated by at least twenty-five percent (25%) common ownership are considered a single lender.
- 17 Sec. 4. (a) A state educational institution may not designate a



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1	lender of private student loans as a preferred lender unless the
2	state educational institution:
3	(1) designates at least four (4) other lenders as preferred
4	lenders;
5	(2) offers each student a list describing other loan or financing
6	options available from other lenders that the state educational
7	institution knows to exist; and
8	(3) provides business contact information for both the
9	preferred lenders and the lenders described on the list
10	required under subdivision (2).
11	(b) The criteria that a state educational institution uses to
12	designate a preferred lender may not include the amount of
13	federally guaranteed student loans made by a lender to students
14	enrolled in the state educational institution.
15	(c) A state educational institution may not take any action to
16	interfere with a student's ability to do business with a lender that
17	is not designated by the state educational institution as a preferred
18	lender.
19	Sec. 5. A:
20	(1) state educational institution; or
21	(2) foundation established for the benefit of a state
22	educational institution;
23	may not accept a gift from a lender of private student loans.
24	Sec. 6. An employee of a:
25	(1) state educational institution; or
26	(2) foundation established for the benefit of a state
27	educational institution;
28	may not accept from a lender of private student loans gifts that
29	have an aggregate value of more than one hundred dollars (\$100)
30	in a particular calendar year.
31	Sec. 7. (a) A state educational institution may not offer space or
32	any other assistance to a lender of private student loans unless the
33	state educational institution offers comparable space or assistance
34	to other lenders at the same price and under reasonably the same
35	conditions.
36	(b) A state educational institution may not condition an offer of
37	space or other business assistance to a lender of private student
38	loans on any of the following:
39	(1) The number of private student loans issued by the lender.
40	(2) The aggregate amount of private student loans issued by
41	the lender.
42	(3) The corporate size of the lender.



1	Sec. 8. (a) A lender of private student loans may not make a gift
2	to a:
3	(1) state educational institution; or
4	(2) foundation established for the benefit of a state
5	educational institution.
6	(b) A lender of private student loans may not make a gift to an
7	employee of a:
8	(1) state educational institution; or
9	(2) foundation established for the benefit of a state
10	educational institution;
11	that exceeds the amount permitted by section 6 of this chapter.
12	Sec. 9. The attorney general shall enforce the provisions of this
13	chapter.
14	Sec. 10. (a) If, after a hearing, the attorney general finds by a
15	preponderance of the evidence that a state educational institution
16	has violated the provisions of this chapter, the state educational
17	institution shall forfeit an amount equal to one percent (1%) of the
18	tuition charged to the students enrolled in the state educational
19	institution in the preceding academic year.
20	(b) An amount forfeited under subsection (a) shall be paid to the
21	state student assistance commission.
22	Sec. 11. (a) If, after a hearing, the attorney general finds by a
23	preponderance of the evidence that a lender of private student
24	loans has violated section 8 of this chapter, the attorney general
25	shall impose a civil penalty upon the lender in an amount
26	determined by the attorney general. The amount determined under
27	this subsection may not exceed the amount described in subsection
28	(c)(1).
29	(b) The attorney general may add the following to the amount
30	of any civil penalty determined under subsection (a):
31	(1) One thousand dollars (\$1,000) for a lender's first violation
32	of section 8 of this chapter.
33	(2) Two thousand five hundred dollars (\$2,500) for a lender's
34	second violation of section 8 of this chapter.
35	(3) Five thousand dollars (\$5,000) for each additional
36	violation by a lender of section 8 of this chapter.
37	(c) A civil penalty imposed on a lender under this section may
38	not exceed the sum of:
39	(1) an amount equal to three (3) times the aggregate value of
40	all gifts made by the lender in violation of section 8 of this
41	chapter; plus
42	(2) the additional amount added to the civil penalty under



(d) A civil penalty imposed under this section shall be paid to the state student assistance commission. Sec. 12. (a) Money paid to the state student assistance commission under this chapter must be used to provide scholarships to students enrolled in institutions of higher learning (as defined in IC 20-12-70-4). (b) Money paid to the state student assistance commission under this chapter is continuously appropriated for the purpose set forth in subsection (a). Sec. 13. A contract entered into before July 1, 2007, containing terms that violate the provisions of this chapter is: (1) against public policy; and (2) void and unenforceable.	
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